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GLOBAL REINSURANCE COMPANY ANNUAL REPORT 1967



# GLOBAL REINSURANCE COMPANY ANNUAL REPORT 1967



# Report of the Board of Directors

The Board of Directors of Global Reinsurance Company has pleasure in presenting to the Shareholders its report for the year ended December 31, 1967, the eleventh year of the Company's operations.

During 1967, the Company's gross premiums written amounted to \$12,571,251, a decrease of \$3,393,469 over the previous year. Net premiums written totalled \$9,763,056 as against \$12,616,926 in 1966. However, due to the fact that some business written in 1966 was of a short-term nature and not repeated in 1967, the figures for the year under review should more properly be compared with those of 1965, which comparison shows a 10% increase.

The Company's Canadian Treaty Portfolio again produced profitable results with an earned loss ratio of 64.2% and commission paid of 32.1%, corresponding to 61.2% and 32.9% respectively, in 1966.

Due to a series of unusually heavy losses, the Company's Facultative Fire Business showed an earned loss ratio of 99%. The Company has taken appropriate measures to remedy the situation.

The Company's United States Portfolio, with an earned loss ratio of 60%, resulted in good profits in all classes written, i.e. pro rata treaty, facultative casualty, and even in the excess of loss field, in spite of hurricane Beulah.

The Company's European Portfolio, showing a loss ratio of 69% rendered an overall profit, in spite of losses recorded in automobile and ocean marine business.

The statutory net underwriting loss for the year amounted to \$480,617 compared with \$401,712 in 1966 and \$479,115 in 1965.

This result was, however, more than offset by the Company's investment income which, during a period of difficult domestic and international financial markets, was advanced to \$496,463 from \$360,427 in 1966. This figure includes profits from sales of securities amounting to \$101,258 in 1967, compared to \$19,479 in the previous year. The average yield on the investment portfolio rose from 5.4% in 1966 to 6.3% in 1967.

With additional net income of \$72,880 obtained from interest on deposits and other sources, the total financial net income came to \$569,343, offsetting the net underwriting loss and resulting in a net operating profit of \$88,726 (\$60,405 in 1966).

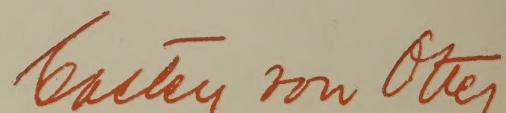
The Policyholders' Surplus, after payment of dividends to Shareholders of \$162,410, now stands at \$1,946,640.

In 1967, Mr. H. E. Girardet resigned as a Director of the Company. The death in March of Mr. W. C. Mainwaring, a Director of the Company of long standing, is recorded with sincere regret.

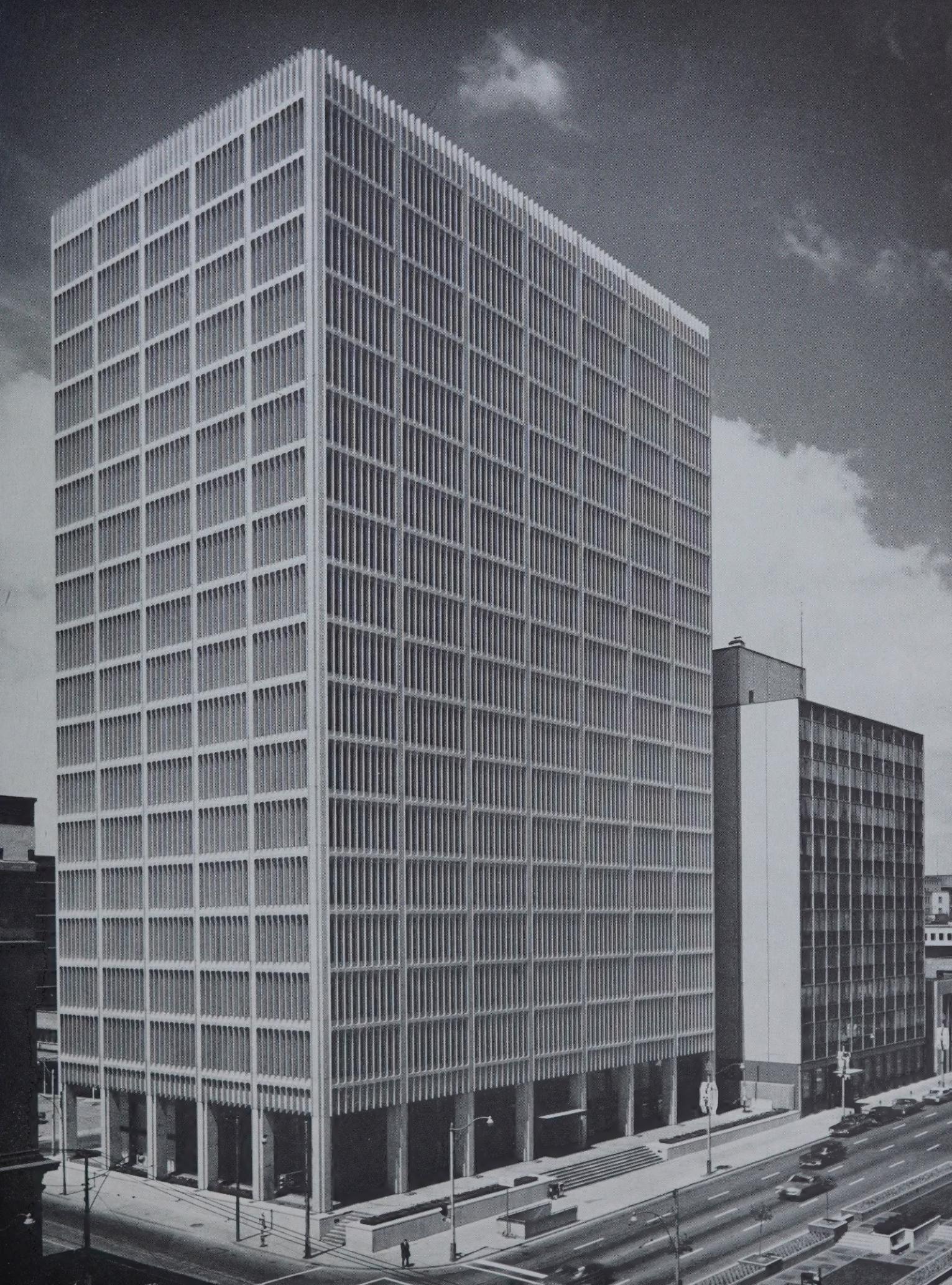
As an event of particular importance, the Company was able to record during 1967, Canada's Centennial Year, the moving into its own offices in Global House, 480 University Avenue, Toronto.

Your Directors wish to express to the Officers and Staff appreciation of their efforts and loyal support throughout the year.

On behalf of the Board,



Casten von Otter  
Executive Vice-President and Managing Director



## Board of Directors

**DR. HANS GERLING, Chairman of the Board**  
President and Chief Executive Officer of the Gerling Group of  
Insurance Companies.

**NORMAN E. PHIPPS, Q.C., President**  
Partner of White, Bristol, Beck & Phipps, Vice-Chairman of the  
Board of Global Life Insurance Company, President of Global  
General Insurance Company.

**BARON CASTEN von OTTER, K.St.J.**  
*Executive Vice-President and Managing Director*  
Executive Vice-President and Managing Director of Global  
General Insurance Company, Director of Gerling Global  
Offices Inc., New York, U.S.A.

**J. M. R. CORBET**  
Director of Area Mines Limited, Canada Permanent Trust  
Company, Mattagami Lake Mines Limited, United Accumulative  
Fund, Global General Insurance Company, Global Life  
Insurance Company.

**R. W. FINLAYSON, M.A.**  
President of Finlayson Enterprises Limited, Director of  
Industrial Adhesives Limited, Global General Insurance  
Company, Global Life Insurance Company.

**HON. LOUIS-P. GÉLINAS, M.B.E.**  
Counsel for Geoffrion, Robert and Gélinas, Inc., Director of  
The Mercantile Bank of Canada, Canadian International Paper,  
Global General Insurance Company, Global Life Insurance  
Company.

**BRIG. W. PRESTON GILBRIDE, C.B.E., D.S.O.,  
E.D., LL.D.**

Chairman of the Board of A. Bradshaw & Son Limited,  
Grafton-Fraser Limited, Director of Global General  
Insurance Company, Global Life Insurance Company,  
Gerling Global Offices Inc., New York, U.S.A.,  
Gerling Insurance Group, Cologne, West Germany.

**H. E. LUMSDEN, B.C.E., P.ENG.**  
President of Global Life Insurance Company, Chairman of the  
Board of Lumsden Brothers Limited, Director of Global  
General Insurance Company.

**DR. PETER MEHLHORN**  
Director of Global General Insurance Company,  
Global Life Insurance Company, Gerling Global Reinsurance  
Company Ltd., London, England, Gerling Global Reinsurance  
Company of South Africa Ltd., Johannesburg, S.A.

**DR. E. MICHEL MEYER**  
Director of Global General Insurance Company, Global Life  
Insurance Company, Gerling Global Offices Inc., New York,  
U.S.A., Gerling Global Reinsurance Company Ltd., London,  
England, Gerling Global Reinsurance Company of South  
Africa Ltd., Johannesburg, S.A.

## Head Office

GLOBAL HOUSE  
480 University Avenue  
Toronto 2, Canada

Telephone: 366-1161  
Cables: "Globalre" Toronto  
Telex: "Globalre" 02-2242



## Executive Officers

DR. HANS GERLING, *Chairman of the Board*

NORMAN E. PHIPPS, Q.C.  
*President*

CASTEN von OTTER  
*Executive Vice-President and Managing Director*

GERHARDT P. LAUTENSCHLAEGER  
*Vice-President and Manager*

ROLF R. KERN  
*Manager and Secretary-Treasurer*

P. B. ANDERSEN  
*Assistant Manager*

# Global Reinsurance Company

## Balance Sheet as at December 31, 1967

| <b>Assets</b>  | \$        |
|--|-----------|
| Bonds—at amortized cost (quoted market value \$5,500,432) (Note 2) . . . . . | 6,377,915 |
| Stocks—at market value (cost \$1,250,942) (Note 2) . . . . .                 | 980,274   |
| Real Estate—at cost . . . . .  | 500,000   |
| Cash . . . . .   | 356,865   |
| Accrued Interest and Dividends . . . . .                                     | 89,147    |
| Amounts due from Retrocessionaires . . . . .                                 | 14,363    |
| Amounts due from Ceding Companies . . . . .                                  | 331,760   |
| Deposits with Ceding Companies . . . . .                                     | 199,006   |
| Leasehold Improvements—at cost less amortization . . . . .                   | 127,260   |

Signed on behalf of the Board:

N. E. Phipps, Director

Casten von Otter, Director

8,976,590

### Auditors' Report to the Shareholders

We have examined the balance sheet of Global Reinsurance Company as at December 31, 1967 and the statements of operations and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations for the year then ended, in accordance with accounting practices appropriate to the insurance laws of Canada, applied on a basis consistent with that of the preceding year.

Toronto, February 29, 1968

McDonald, Currie & Co.  
Chartered Accountants

| <b>Liabilities</b>               | Provisions for—  | \$                         |
|----------------------------------|--|----------------------------|
|                                  | Unpaid Claims and Adjustment Expenses.....               | 1,871,001                  |
|                                  | Unearned Premiums at 80%.....                            | <u>1,887,150</u> 3,758,151 |
|                                  | Deposits withheld from Unlicensed Retrocessionaires..... | 2,796,880                  |
|                                  | Amounts due to Ceding Companies.....                     | 274,816                    |
|                                  | Amounts due to Retrocessionaires.....                    | 120,138                    |
|                                  | Accrued Taxes.....                                       | 58,921                     |
|                                  | Accrued Expenses.....                                    | <u>21,044</u>              |
|                                  |  | 7,029,950                  |
| <b>CAPITAL STOCK AND SURPLUS</b> |  |                            |
|                                  | CAPITAL STOCK (Note 3) .....                             | 1,850,000                  |
|                                  | SURPLUS.....   | <u>96,640</u>              |
|                                  | POLICYHOLDERS' SURPLUS.....                              | 1,946,640                  |
|                                  |  | <u>8,976,590</u>           |

**Notes to the  
Financial  
Statements**

1. Assets and liabilities in foreign currencies have been converted at the rates prevailing at December 31, 1967.
2. Bonds with a par value of \$1,343,125 and stocks with a market value of \$656,883 are held by Ceding Companies in escrow or under deposit agreements.
3. Capital Stock:
 

Authorized —

1,000 5% cumulative convertible non-voting Class A shares redeemable at the par value of \$100 each  
 12,000 non-voting Class B shares with a par value of \$100 each  
 10,000 common shares with a par value of \$100 each

| Issued and fully paid —   | \$               |
|---------------------------|------------------|
| 1,000 Class A shares..... | 100,000          |
| 7,500 Class B shares..... | 750,000          |
| 10,000 Common shares..... | <u>1,000,000</u> |
|                           | 1,850,000        |
4. Remuneration paid to Directors and Senior Officers during the year amounted to \$105,098.

## Statement of Operations

for the year ended December 31, 1967

|  | \$   |
|--|--|
| Gross Premiums written.....                      | 12,571,251                                 |
| Premiums retroceded.....                         | <u>2,808,195</u>                           |
| Net Premiums written.....                        | 9,763,056                                  |
| Increase in Provision for Unearned Premiums..... | <u>110,446</u>                             |
| Net Premiums earned.....                         | 9,652,610                                  |
| Net Claims and Adjustment Expenses incurred..... | 6,786,132                                  |
| Commissions.....                                 | 2,972,221                                  |
| Premium Taxes and other Expenses.....            | 213,734                                    |
| Salaries, Fees and Travelling Expenses.....      | <u>161,140</u> <u>10,133,227</u>           |
| STATUTORY UNDERWRITING LOSS.....                 | <u>480,617</u>                             |
| <br>FINANCIAL INCOME—                            |  |
| Interest.....                                    | 353,964                                    |
| Dividends.....                                   | 35,758                                     |
| Profit on Sale of Investments.....               | 101,258                                    |
| Interest on Deposits.....                        | 113,976                                    |
| Rent.....  | <u>27,500</u> <u>632,456</u>               |
| <br>LESS—  |  |
| Interest paid on Deposits.....                   | 40,592                                     |
| Investment and other Expenses.....               | <u>22,521</u> <u>63,113</u> <u>569,343</u> |
| NET OPERATING PROFIT FOR THE YEAR.....           | <u>88,726</u>                              |

## Statement of Surplus

for the year ended December 31, 1967

|  | \$                            |
|--|-------------------------------|
| BALANCE—DECEMBER 31, 1966.....   | 130,211                       |
| Net Operating Profit for the Year.....   | 88,726                        |
| Net Decrease in Non-Admitted Assets.....   | <u>40,113</u>                 |
| Dividends paid to Shareholders.....  | <u>259,050</u> <u>162,410</u> |
| <br>BALANCE—DECEMBER 31, 1967,<br>(including contributions to surplus<br>of \$1,900,000, arising from the issue<br>of shares at a premium, less applicable<br>dividends of \$401,835)..... | <u>96,640</u>                 |

# Portfolio of Investments

## Bonds

| PAR VALUE | DESCRIPTION                                | MATURITY DATE | AMORTIZED BOOK VALUE | YIELD              |
|-----------|--|---------------|----------------------|--------------------|
| 100,000   | Government of Canada.....                  | 5%            | 1971                 | 100,000            |
| 150,000   | Government of Canada.....                  | 5%            | 1973                 | 150,000            |
| 50,000    | Government of Canada.....                  | 5½%           | 1974                 | 49,571             |
| 100,000   | Government of Canada.....                  | 5½%           | 1976                 | 101,418            |
| 50,000    | Government of Canada.....                  | 3¾%           | 1978                 | 48,971             |
| 25,000    | Government of Canada.....                  | 5¼%           | 1990                 | 24,283             |
| 50,000    | Province of Quebec.....                    | 4¾%           | 1977                 | 49,648             |
| 25,000    | Province of Quebec.....                    | 5½%           | 1990                 | 24,560             |
| 160,000   | Ontario Hydro.....                         | 4¾%           | 1975                 | 157,680            |
| 100,000   | Ontario Hydro.....                         | 5%            | 1976                 | 99,822             |
| 100,000   | Ontario Hydro.....                         | 5%            | 1977                 | 99,719             |
| 50,000    | Ontario Hydro.....                         | 4½%           | 1978                 | 48,235             |
| 100,000   | Ontario Hydro.....                         | 5%            | 1978                 | 99,118             |
| 100,000   | Ontario Hydro.....                         | 5%            | 1983                 | 97,300             |
| 50,000    | Ontario Hydro.....                         | 5¼%           | 1985                 | 49,708             |
| 35,000    | Quebec Hydro.....                          | 5%            | 1980                 | 34,382             |
| 50,000    | Quebec Hydro.....                          | 5¼%           | 1986                 | 48,784             |
| 210,000   | Quebec Hydro.....                          | 5%            | 1995                 | 195,555            |
| 75,000    | B.C. Electric.....                         | 5½%           | 1988                 | 75,000             |
| 25,000    | Alberta Municipal Financing Corp.....      | 6¼%           | 1989                 | 24,772             |
| 200,000   | Alberta Municipal Financing Corp.....      | 6%            | 1992                 | 200,000            |
| 100,000   | Shawinigan Water & Power Co.....           | 4¾%           | 1976                 | 96,538             |
| 160,000   | Metropolitan Toronto.....                  | 5%            | 1977                 | 160,818            |
| 30,000    | Metropolitan Toronto.....                  | 5½%           | 1982                 | 29,738             |
| 1,130,000 | Metropolitan Toronto.....                  | 5%            | 1983                 | 1,099,002          |
| 50,000    | City of Montreal.....                      | 7%            | 1992                 | 48,680             |
| 45,000    | Abitibi Paper Co.....                      | 6¼%           | 1977                 | 46,898             |
| 45,000    | Alberta Gas Trunk Line Co.....             | 6½%           | 1981                 | 46,426             |
| 100,000   | Alliance Credit Corp.....                  | 6¼%           | 1985                 | 80,000             |
| 50,000    | Bell Telephone Co.....                     | 6¼%           | 1978                 | 52,356             |
| 100,000   | Bell Telephone Co.....                     | 6½%           | 1987                 | 99,729             |
| 200,000   | Bell Telephone Co.....                     | 6¼%           | 1988                 | 200,476            |
| 100,000   | B.C. Forest Products.....                  | 6½%           | 1992                 | 97,600             |
| 50,000    | B.C. Telephone Co.....                     | 5¼%           | 1983                 | 48,923             |
| 30,000    | B.C. Telephone Co.....                     | 6¾%           | 1991                 | 29,856             |
| 50,000    | Canada & Dominion Sugar Co.....            | 5%            | 1978                 | 49,706             |
| 150,000   | Canadian Pacific Railway Co.....           | 5%            | 1983                 | 146,183            |
| 50,000    | Consumers' Gas Co.....                     | 5%            | 1978                 | 49,559             |
| 594,000   | T. Eaton Acceptance Co.....                | 6¼%           | 1980                 | 621,324            |
| 200,000   | T. Eaton Realty Co.....                    | 5%            | 1978                 | 197,647            |
| 220,000   | International Bank of Reconstruction.....  | 6¼%           | 1992                 | 215,776            |
| 28,000    | Irving Oil Co.....                         | 6½%           | 1981                 | 28,856             |
| 100,000   | Loblaw Grocerterias.....                   | 6¾%           | 1991                 | 98,563             |
| 20,000    | Loblaw Leased Properties.....              | 6¾%           | 1985                 | 20,779             |
| 235,000   | Salada Foods.....                          | 6%            | 1977                 | 237,247            |
| 50,000    | Simpson-Sears Acceptance Co.....           | 6¾%           | 1980                 | 52,350             |
| 12,000    | Steinberg Properties.....                  | 6%            | 1984                 | 11,896             |
| 187,000   | Steinberg Shopping Centres.....            | 7%            | 1985                 | 194,906            |
| 25,000    | Traders Finance Corp.....                  | 5¾%           | 1979                 | 24,908             |
| 200,000   | Traders Finance Corp.....                  | 5¾%           | 1981                 | 199,802            |
| 200,000   | Traders Finance Corp.....                  | 5¾%           | 1983                 | 202,692            |
| 2,000     | Trans-Canada Pipe Lines.....               | 5%            | 1989                 | 2,050              |
| 50,000    | Bliss & Laughlin Industries.....           | 5¾%           | 1987                 | 50,000             |
| 50,000    | General Instruments.....                   | 5%            | 1992                 | 50,000             |
|           | Exchange Adjustment to Canadian Funds..... |               |                      | 8,125              |
|           | <b>TOTAL BONDS.....</b>                    |               |                      | <b>\$6,377,915</b> |
|           |  |               |                      | <b>5.63</b>        |

## Portfolio of Investments (cont.)

### Real Estate:

Land — at cost. .... \$500,000 5.50

### Shares

| NO. OF SHARES | DESCRIPTION                                    | (U.S.)  | BOOK VALUE<br>(CDN.) | YIELD |
|---------------|--|---------|----------------------|-------|
| 2,000         | Abitibi Paper Co. ....                         |         | 24,225               | 4.62  |
| 500           | Alcan Aluminium. ....                          |         | 16,813               | 2.97  |
| 1,000         | American Metal Climax. ....                    | 48,100  |                      | 3.95  |
| 882           | American Telephone & Telegraph Corp. ....      | 60,585  |                      | 3.20  |
| 2,500         | Bank of Montreal. ....                         |         | 34,496               | 3.77  |
| 2,500         | Canadian Imperial Bank of Commerce. ....       |         | 34,141               | 3.81  |
| 2,000         | Cominco. ....                                  |         | 79,650               | 4.27  |
| 300           | Falconbridge Nickel Mines. ....                |         | 26,663               | 3.94  |
| 600           | General Foods Corp. ....                       | 54,950  |                      | 2.57  |
| 1,000         | Industrial Acceptance Corp. ....               |         | 28,225               | 4.33  |
| 500           | Inland Steel. ....                             | 21,662  |                      | 4.62  |
| 500           | Iowa Public Service. ....                      | 14,375  |                      | 4.31  |
| 100           | International Business Machines. ....          | 61,650  |                      | 0.71  |
| 400           | International Telephone & Telegraph Corp. .... | 48,038  |                      | 1.25  |
| 3,600         | Laurentide Financial Corp. ....                |         | 30,895               | —     |
| 400           | MacMillan, Bloedel. ....                       |         | 15,041               | 3.19  |
| 1,575         | Mill Factors Corp. ....                        | 37,025  |                      | 2.55  |
| 530           | Monsanto Co. ....                              | 46,287  |                      | 1.83  |
| 500           | Montgomery Ward & Co. ....                     | 25,988  |                      | 1.92  |
| 800           | National Biscuit Co. ....                      | 42,787  |                      | 3.69  |
| 300           | Owens-Corning Fiberglass Corp. ....            | 33,863  |                      | 1.24  |
| 1,000         | R. J. Reynolds Tobacco Co. ....                | 63,700  |                      | 3.21  |
| 300           | Richardson-Merrell. ....                       | 28,750  |                      | 1.36  |
| 2,500         | Royal Bank of Canada. ....                     |         | 39,606               | 3.79  |
| 500           | Royal Dutch Petroleum. ....                    | 22,750  |                      | 3.56  |
| 200           | Scientific Data Systems. ....                  | 28,975  |                      | —     |
| 500           | Southern Co. ....                              | 14,187  |                      | 3.65  |
| 400           | Standard Oil Co. N.J. ....                     | 32,100  |                      | 4.30  |
| 700           | Talcott (James). ....                          | 34,650  |                      | 2.02  |
| 200           | Texas Instruments. ....                        | 23,887  |                      | 0.63  |
| 3,000         | Toronto-Dominion Bank. ....                    |         | 38,447               | 4.06  |
| 1,000         | Trans-Canada Pipe Lines. ....                  |         | 35,800               | 2.79  |
| 600           | United States Steel Corp. ....                 | 38,988  |                      | 4.33  |
|               | TOTALS. ....                                   | 783,297 | 404,002              |       |
|               | Exchange adjustment to Canadian Funds. ....    | 63,643  |                      |       |
|               |  | 846,940 |                      |       |
|               | TOTAL SHARES. ....                             |         | 1,250,942            | 2.86  |
|               | TOTAL PORTFOLIO—AT COST. ....                  |         | 8,128,857            | 5.21  |
|               | Adjustment to statement value. ....            |         | 270,668              |       |
|               | GRAND TOTAL. ....                              |         | \$7,858,189          |       |

# The Global Insurance Companies

All Classes of Insurance and Reinsurance



GLOBAL GENERAL INSURANCE COMPANY

GLOBAL LIFE INSURANCE COMPANY

GLOBAL REINSURANCE COMPANY

## Consolidated Group Information

as at December 31, 1967

|   | 1967               | 1965               | 1963               | 1961               | 1959              | 1957              |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|
|   | \$                 | \$                 | \$                 | \$                 | \$                | \$                |
| <b>CAPITAL of all Companies</b>                           |                    |                    |                    |                    |                   |                   |
| Paid-up (including original Contribution to Surplus)..... | 10,280,000         | 10,280,000         | 10,050,000         | 7,450,000          | 3,750,000         | 2,550,000         |
| <b>SURPLUS FOR THE PROTECTION OF POLICYHOLDERS.....</b>   | <b>6,185,117</b>   | <b>6,785,644</b>   | <b>6,027,688</b>   | <b>6,515,520</b>   | <b>2,913,630</b>  | <b>2,484,078</b>  |
| <b>ADMITTED ASSETS.....</b>                               | <b>45,482,648</b>  | <b>37,994,928</b>  | <b>40,212,349</b>  | <b>32,942,776</b>  | <b>21,239,985</b> | <b>10,830,495</b> |
| <b>INVESTED ASSETS.....</b>                               | <b>21,621,357</b>  | <b>18,283,581</b>  | <b>21,256,993</b>  | <b>18,135,534</b>  | <b>8,310,960</b>  | <b>3,114,568</b>  |
| <b>NET PREMIUMS written.....</b>                          | <b>22,012,743</b>  | <b>21,187,085</b>  | <b>18,432,048</b>  | <b>14,654,274</b>  | <b>9,600,373</b>  | <b>5,508,187</b>  |
| Global General Insurance Company.....                     | 8,700,781          | 7,824,940          | 7,903,591          | 6,438,766          | 4,429,219         | 2,934,245         |
| Global Reinsurance Company.....                           | 9,763,056          | 9,338,094          | 6,856,463          | 6,005,296          | 3,582,801         | 1,613,689         |
| Global Life Insurance Company.....                        | 3,548,906          | 4,024,051          | 3,671,994          | 2,210,212          | 1,588,353         | 960,253           |
| <b>LIFE INSURANCE IN FORCE.....</b>                       | <b>409,712,887</b> | <b>355,753,284</b> | <b>280,524,114</b> | <b>170,973,255</b> | <b>86,936,359</b> | <b>24,034,000</b> |





